

## Message Text

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14-11

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SIL-01 OMB-01 FEA-01 ERDA-05 DODE-00 FPC-01 H-02

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SUBJECT:MEETING OF IEA ADHOC GROUP ON FINANCIAL AND  
INVESTMENT ISSUES

REFERENCES: A. IEA/SPC(75)7 FIRST REVISION; B. OECD 6704;

C. OECD 6706; D. OECD 6707; E. OECD 6709; G. OECD 6773;

H. COPENHAGEN 724; I. OECD 6831; J. OECD 6879

1. MOST OF PAPERS PREPARED FOR FII (SEE REFTELS) ARE  
EITHER NOT WHOLLY RESPONSIVE TO SPC REQUEST OR ARE OVER-  
AMBITIOUS IN OFFERING ANALYSIS AND RECOMMENDATIONS WHICH  
ARE ALMOST CERTAINLY TOO CONTROVERSIAL TO PERMIT NEGOTIA-  
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TION OF AGREED TEXT AT MARCH 19 MEETING OF FII. VIRTUALLY

COMPLETE REWRITE OF MOST OF THESE PAPERS WOULD BE REQUIRED BEFORE THEY COULD BE APPROVED BY FII AND FORWARDED TO GOVERNING BOARD. SUCH EXTENSIVE REVISIONS MIGHT WELL PROVE IMPRACTICAL GIVEN LACK OF TIME AND POSSIBLE INABILITY OF SOME DELEGATES TO TAKE POSITIONS.

2. AS AN ALTERNATIVE, PARSKY REQUESTS MISSION TO EXPLORE WITH HOPKINS AND OTHER DELEGATIONS SUGGESTION THAT IN LIEU OF ATTEMPTING TO REVISE INDIVIDUAL PAPERS, FII PREPARE SINGLE AD HOC GROUP REPORT WHICH WOULD BE TRANSMITTED TO GOVERNING BOARD. REPORT WOULD BE LIMITED TO QUESTIONS ON WHICH GOVERNING BOARD NEEDS IMMEDIATE ANSWERS WITH GENERAL INDICATION OF POSSIBLE SUBSTANTIVE POSITIONS AND EXTENT OF AGREEMENT AMONG IEA COUNTRIES. THIS PROCEDURE MIGHT AVOID

IMPASSE WHERE THERE IS DISAGREEMENT ON POSITIONS AND AVOID DEBATE ON ANALYSIS. ANALYSIS AND MORE SPECIFIC RECOMMENDATIONS COULD BE PROMISED FOR LATER DATE.

3. IF THERE IS RECEPTIVITY TO THIS PROCEDURE, MISSION MAY TABLE FOLLOWING AS PARTIAL DRAFT OFFERED BY CHAIRMAN AS WORKING DRAFT TO FACILITATE PROGRESS. (DELEGATION MEMBERS AUTHORIZED TO MODIFY AND AUGMENT TEXT AS THEY MAY CONSIDER ADVISABLE SINCE NOT ALL OF PAPERS HAVE BEEN RECEIVED IN WASHINGTON.)

4. BEGIN TEXT: CHAIRMAN'S PRELIMINARY DRAFT REPORT TO THE IEA GOVERNING BOARD BY THE AD HOC GROUP ON FINANCIAL AND INVESTMENT ISSUES.

5. THE STANDING GROUP ON PRODUCER-CONSUMER RELATIONS HAS REQUESTED THE AD HOC GROUP ON FINANCIAL AND INVESTMENT ISSUES (FII) TO DEVELOP PRELIMINARY PAPERS ON A NUMBER OF ECONOMIC AND FINANCIAL ISSUES FOR USE BY THE GOVERNING BOARD IN GETTING READY FOR THE PREPARATORY MEETING BETWEEN PRODUCERS AND CONSUMERS. THIS REQUEST, IEA/SPC-(75)7 (FIRST REVISION), CALLED FOR A STATEMENT OF THE PROBLEM AND A SUGGESTED IEA LINE ON EACH OF A NUMBER OF FINANCIAL AND INVESTMENT ISSUES. THE FII WAS REQUESTED TO PREPARE PAPERS ON THE FOLLOWING SUBJECTS: ROMAN ONE, LIMITED OFFICIAL USE

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ANALYSIS OF WORLD ECONOMIC SITUATION; ROMAN TWO, CAPITAL FLOWS AND INVESTMENT QUESTIONS; ROMAN THREE, DEVELOPMENT QUESTIONS; ROMAN FOUR, TRADE BETWEEN PRODUCERS AND CONSUMERS: CREDIT TERMS, TRADE REGULATIONS AND COMMERCIAL AGREEMENTS.

6. IN ADDITION, THE FII WAS REQUESTED TO REVIEW THE QUESTION OF OILPRODUCERS' PARTICIPATION IN DOWNSTREAM

ACTIVITIES IN THE PETROLEUM INDUSTRY (V-F) AND, AT A  
LATER STAGE, INDEXATION OF OIL PRICES (V-C-4).

7. THE FII RECEIVED PAPERS ON VARIOUS ASPECTS OF THESE  
QUESTIONS FROM THE OECD SECRETARIAT, DENMARK, THE U.K.,  
GERMANY, TURKEY, THE U.S., AND THE EUROPEAN COMMISSION.  
GIVEN THE CONSTRAINT OF TIME, THE FII ITSELF HAS NOT HAD  
AN OPPORTUNITY TO REVIEW IN DETAIL EACH OF THE PAPERS  
SUBMITTED TO IT. MANY OF THESE DOCUMENTS CONTAIN VERY  
HELPFUL BACKGROUND AS WELL AS EXTENSIVE ANALYSIS WHICH  
WILL BE VALUABLE TO A LATER STAGE OF PREPARATION FOR THE  
CONSUMER-PRODUCER DIALOGUE BUT DID NOT APPEAR TO BE  
ESSENTIAL FOR THE PREPARATORY MEETING. CONSEQUENTLY, THE  
AD HOC GROUP CONCLUDED THAT THE NEEDS OF THE GOVERNING  
BOARD WOULD BE BEST SERVED BY AN OVERALL REPORT WHICH  
ADDRESSED ITSELF TO THE SPECIFIC REQUIREMENTS SET FORTH

BY THE SPC. FURTHER DOCUMENTATION WILL BE PROVIDED AT A  
SUBSEQUENT DATE AS REQUESTED.

8. FOR THE IMMEDIATE PURPOSES THE FII PRESENTS THE  
FOLLOWING PRELIMINARY CONCLUSIONS AND RECOMMENDATIONS.

9. ROMAN ONE: ANALYSIS OF WORLD ECONOMIC SITUATION -  
THE ISSUE: OIL PRODUCING COUNTRIES SHOULD BE MADE FULLY  
AWARE OF THE CURRENT ECONOMIC SITUATION IN BOTH INDUS-  
TRIAL COUNTRIES AND IN DEVELOPING COUNTRIES AS WELL AS  
THE PART WHICH THE EMBARGO AND THE OIL PRICE INCREASES  
HAVE PLAYED IN CREATING THIS SITUATION. DISCUSSION OF  
THE ECONOMIC SITUATION IS NEEDED TO PROVIDE PERSPECTIVE  
FOR OTHER ISSUES.

(1) A STRAIGHT-FORWARD FACTUAL DESCRIPTION OF THE CURRENT  
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SITUATION AND PROSPECTS FOR THE COMING YEAR SHOULD BE  
PROVIDED;

(2) THE PRICE INCREASES DECREED BY OPEC ADVERSELY AFFECT  
CONSUMING COUNTRIES BECAUSE:

(A) THEY CAUSE SEVERE ECONOMIC DISLOCATIONS AS STRUCTURAL  
ADJUSTMENTS ARE UNDERTAKEN. THESE DISLOCATIONS INVOLVE  
SUBSTANTIAL LOSS OF ECONOMIC OUTPUT;

(B) EVEN IN THE MEDIUM AND LONG-TERM THE OUTPUT OF CON-  
SUMER COUNTRY ECONOMIES WILL BE LESS THAN WOULD  
OTHERWISE HAVE BEEN THE CASE;

(C) PROBLEMS OF MANAGING DOMESTIC DEMAND ARE COMPLICATED,  
INCREASING THE LIKELIHOOD OF FURTHER LOSSES AS A RESULT  
OF LESS THAN OPTIMUM DEMAND MANAGEMENT POLICIES;

(D) INFLATION IS EXACERBATED, AS CONSUMERS LIKE TO AVOID THE LOSS IN REAL INCOME INHERENT IN THE PRICE INCREASE.  
(E) THEY MUST TRANSFER ADDITIONAL REAL RESOURCES.

(3) ACTION IS DISADVANTAGEOUS TO OPEC COUNTRIES OVER LONGER-TERM EVEN THOUGH THEY OBTAIN A LARGER PERCENTAGE SHARE OF WORLD OUTPUT BECAUSE TOTAL WORLD OUTPUT IS REDUCED AND RESOURCES ARE USED INEFFICIENTLY.

(4) LDC ECONOMIES ARE PARTICULARLY HARD HIT BY THE INCREASE IN THE COST OF ENERGY AND FERTILIZER WITH THEIR CONSEQUENT IMPACT ON BOTH LIVING STANDARDS AND RATE OF DEVELOPMENT.

(5) SLOWER GROWTH NOW AND LOWER REAL INCOME IN THE FUTURE FOR THE INDUSTRIAL COUNTRIES ADVERSELY AFFECT DEMAND FOR

LDC EXPORTS AND THUS THEIR ABILITY TO BUY NEEDED IMPORTS.

AREAS OF DISAGREEMENT WITH SUGGESTED LINE: THERE APPEARS TO BE A CONSENSUS AMONG IEA MEMBERS ON THE DESIRABILITY OF DISCUSSING THIS TOPIC. THERE MAY BE SOME DISAGREEMENT ON THE PRECISE EXTENT AND DURATION OF THE DAMAGE TO CONSUMER ECONOMIES AND THE IMPACT ON PRODUCING COUNTRIES. MUCH FURTHER ANALYSIS WILL HAVE TO BE LIMITED OFFICIAL USE

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CONDUCTED ON THESE QUESTIONS.

10. ROMAN TWO: CAPITAL FLOWS AND INVESTMENT QUESTIONS  
A. RECYCLING, INCLUDING BOTH INTERNATIONAL GOVERNMENT INSTITUTIONS AND COMMERCIAL CHANNELS; BALANCE OF PAYMENTS ADJUSTMENTS.

THE ISSUE: QUESTIONS HAVE BEEN RAISED AS TO WHETHER THE CONSUMING COUNTRIES SHOULD NEGOTIATE WITH THE PRODUCERS ON THE QUESTION OF THE INVESTMENT OF OPEC SURPLUS FUNDS IN ORDER TO FACILITATE BALANCE OF PAYMENTS ADJUSTMENT AMONG CONSUMERS. THE OPEC COUNTRIES THEMSELVES MAY NOT RAISE THIS QUESTION. CONSUMERS WOULD WISH TO DESCRIBE THE SITUATION IN ORDER TO EXPLAIN THE FULL IMPACT ON THEIR ECONOMIES OF OPEC ACTIONS, BUT THERE IS NOT AGREEMENT THAT ANY SPECIFIC COMMITMENTS SHOULD BE SOUGHT FROM PRODUCERS IN THIS AREA.

LINE TO TAKE: (1) CONSUMERS SHOULD DESCRIBE FOR THE PRODUCERS THE FINANCIAL CONSEQUENCES OF THE OIL PRICE INCREASE FOR CONSUMING NATIONS. IN DOING SO, EMPHASIS COULD BE PLACED ON PROBLEMS WHICH HAVE BEEN CREATED FOR

INDIVIDUAL COUNTRIES, PARTICULARLY THE MOST SERIOUSLY AFFECTED DEVELOPING COUNTRIES.

(2) WITH RELATIVELY MINOR SPECIFIC EXCEPTIONS, WE WELCOME OPEC INVESTMENT IN LONGER-TERM FINANCIAL AND REAL ASSETS WITHIN THE TERRITORY OF CONSUMING COUNTRIES.

(3) INDIVIDUAL CONSUMING COUNTRIES MAY BE RECEPTIVE TO SPECIFIC BILATERAL ARRANGEMENTS WITH PRODUCERS WHO ARE PREPARED TO LEND ON EITHER CONCESSIONAL TERMS OR AT MARKET RELATED RATES.

AREAS OF DISAGREEMENT WITH SUGGESTED LINE: THERE IS NOT A CONSENSUS AMONG IEA MEMBERS AS TO WHETHER THERE SHOULD BE ANY ATTEMPT TO NEGOTIATE A MULTILATERAL AGREEMENT WITH PRODUCERS ON THE INVESTMENT OF THEIR FUNDS.

B. EFFECT ON CONSUMER COUNTRIES OF OIL PRODUCERS' CLAIMS

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ON CONSUMERS' FUTURE REAL RESOURCES.

THE ISSUE: AS PART OF THE GENERAL DISCUSSION OF THE IMPACT OF THE CARTEL ON THE WORLD ECONOMY, CONSUMING COUNTRIES MAY WISH TO DESCRIBE THE RISKS TO THE WORLD ECONOMY AND FINANCIAL STRUCTURE WHICH WOULD ARISE FROM A CONTINUING ACCUMULATION OF LARGE SCALE DEBT BY INDIVIDUAL CONSUMING COUNTRIES.

LINE TO TAKE: SOME COUNTRIES -- PARTICULARLY DEVELOPING COUNTRIES -- MAY BE UNABLE TO OBTAIN THE FINANCING THEY NEED TO PAY CURRENT OIL PRICES WITH RESULTANT SERIOUS DAMAGE TO DEVELOPMENT AND ALSO HUMAN SUFFERING.

AREAS OF DISAGREEMENT WITH SUGGESTED LINE: THERE IS SOME DISAGREEMENT AMONG IEA MEMBERS AS TO THE SERIOUSNESS OF THE BUILD UP OF OIL PRODUCERS' FINANCIAL CLAIMS ON CONSUMERS' FUTURE REAL RESOURCES. MANY COUNTRIES FEEL THAT THESE PROBLEMS ARE GENERALLY MANAGEABLE AND THAT THE OPEC SURPLUSES ARE NOT LIKELY TO BUILD TO A LEVEL WHICH THE CONSUMING COUNTRIES FIND UNACCEPTABLE. SOME FEAR THAT INDIVIDUAL COUNTRIES MAY BE UNABLE TO MANAGE THE SITUATION AND MAY BE COMPELLED TO TAKE ACTIONS WHICH WILL DISRUPT THE WORLD TRADE AND PAYMENTS SYSTEM.

C. INWARD INVESTMENT IN INDUSTRIALIZED COUNTRIES.

THE ISSUE: THIS IS NOT AN ISSUE WHICH CONSUMER COUNTRIES NEED RAISE. THE PRODUCERS MIGHT REQUEST THE CONSUMING

NATIONS TO OFFER SOME GUARANTEES OF ACCESS OR SOME INDICATION OF THEIR POLICIES WITH RESPECT TO OPEC INVESTMENTS.

LINE TO TAKE:

(1) THE POLICIES OF CONSUMER COUNTRIES WITH RESPECT TO INWARD INVESTMENT VARY, AND THERE WOULD APPEAR TO BE NO NEED TO COORDINATE OR HARMONIZE THESE POSITIONS.

(2) CONSUMER COUNTRIES WOULD BE PREPARED TO DISCUSS THEIR INVESTMENT POLICIES WITH PRODUCERS ON A BILATERAL LIMITED OFFICIAL USE

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BASIS.

(3) PRODUCERS SHOULD BE AWARE OF THE DIFFICULTIES POSED BY EXCESSIVE INVESTMENT IN CERTAIN SECTORS, AND SHOULD BE READY TO COOPERATE WITH INDUSTRIALIZED COUNTRIES IN AVOIDING THOSE DIFFICULTIES.

D. OIL PRODUCERS CLAIM TO GREATER VOICE IN THE INTER-

NATIONAL MONETARY SYSTEM.

THE ISSUE:

THE OIL PRODUCERS HAVE INDICATED THAT THEY WISH TO OBTAIN A MUCH GREATER DEGREE OF CONTROL OR INFLUENCE IN THE INTERNATIONAL INSTITUTIONS WHICH HAVE RESPONSIBILITIES IN INTERNATIONAL MONETARY AFFAIRS AND AID. PRESUMABLY THIS INTEREST CENTERS ON THE IMF AND THE WORLD BANK GROUP OF LENDING INSTITUTIONS ALTHOUGH THE IADB AND THE ADB MIGHT ALSO BE AFFECTED AT LEAST INDIRECTLY.

THE OPEC OBJECTIVE WOULD, PRESUMABLY, BE TO WIN THE SUPPORT OF NON-OIL LDCS ON THE OIL PRICE ISSUE BY SEEKING TO OBTAIN FOR THEM EFFECTIVE CONTROL OVER THE INTERNATIONAL INSTITUTIONS WHICH ARE THE MAJOR OFFICIAL LENDERS OF MONEY. THEY WOULD HOPE TO GIVE THE LDCS CONTROL OVER TERMS OF LOANS, THE CONDITIONS ON WHICH LOANS WOULD BE EXTENDED AND, TO AT LEAST SOME DEGREE, THE VOLUME OF AID.

LINE TO TAKE: RESPONSIBILITIES FOR THE INTERNATIONAL MONETARY SYSTEM LIE WITH THE INTERNATIONAL MONETARY FUND, THE DEVELOPMENT COMMITTEE AND THE INTERNATIONAL BANK. SUBSTANTIVE NEGOTIATION SHOULD REMAIN IN THESE BODIES. BUT WE WOULD NOT OBJECT TO DISCUSSION OF THIS SUBJECT AT AN ULTIMATE MINISTERIAL CONFERENCE BETWEEN

PRODUCERS AND CONSUMERS IN THE CONTEXT OF A REVIEW OF  
RELEVANT WORK BEING UNDERTAKEN IN OTHER ORGANIZATIONS.

E. PRODUCERS' CLAIM FOR SAFE INVESTMENT OF THEIR FUNDS.

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THE ISSUE: PRODUCER COUNTRIES MAY CALL FOR INDEXATION  
OF THEIR CAPITAL ASSETS AGAINST INFLATION, EXCHANGE  
RATE GUARANTEES, OR SOME ARRANGEMENT TO PROVIDE ASSURANCE  
AGAINST NATIONALIZATION, BLOCKING, EXCHANGE CONTROLS OR  
OTHER INTERFERENCE WITH THEIR ASSETS IN CONSUMER  
COUNTRIES.

LINE TO TAKE:

(1) INDEXATION OF FINANCIAL ASSETS FOR PRODUCER COUNTRIES  
WOULD ONLY RAISE PROBLEMS OF EQUITY WHICH COULD NOT BE  
TOLERATED BY CONSUMER COUNTRIES. EVEN INDEXATION FOR  
ALL FOREIGN INVESTORS WOULD CREATE UNACCEPTABLE PRO-  
BLEMS OF EQUITY AS BETWEEN FOREIGN AND DOMESTIC INVESTORS.  
COMPLETE INDEXATION WOULD NOT BE GENERALLY ACCEPTABLE.

(2) IT IS NOT POSSIBLE FOR CONSUMERS TO PROVIDE A

UNIFORM DEGREE OF ASSURANCE AGAINST NATIONALIZATION,  
BLOCKING OR EXCHANGE CONTROL RESTRAINTS ON PRODUCER  
INVESTMENTS IN CONSUMER TERRITORIES. IF PRODUCER  
COUNTRIES FEEL A NEED TO REDUCE THE RISK THAT GOVERN-  
MENTS OF CONSUMING COUNTRIES MIGHT NATIONALIZE OR IMPOSE  
OTHER RESTRAINTS ON OPEC INVESTMENTS WITHIN THE  
TERRITORIES OF CONSUMERS, THEY SHOULD PREPARE SPECIFIC  
PROPOSALS.

(3) CONSUMING COUNTRIES WOULD BE PREPARED TO EXAMINE  
SCHEMES FOR JOINT ADMINISTRATION OF INVESTMENT INSTITU-  
TIONS BUT COULD NOT TAKE A POSITION EXCEPT IN THE  
CONTEXT OF SPECIFIC PROPOSALS.

F. IS INFLATION THE RESPONSIBILITY OF THE INDUSTRIAL-  
IZED COUNTRIES?

THE ISSUE: PRODUCERS MAY ADVANCE THIS THESIS AS A  
JUSTIFICATION FOR HIGH OIL PRICES AND INDEXATION AND AS  
A REASON FOR GIVING SPECIAL TREATMENT TO THE PRICES OF  
COMMODITIES SUPPLIED LARGELY BY LDCS.

LINE TO TAKE:

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(1) CONSUMER COUNTRIES SHOULD POINT OUT THAT THE OPEC PRICE INCREASE FOR OIL HAS VASTLY EXCEEDED THE INCREASE IN OTHER PRICES, EVEN THE PRICES OF OTHER HIGHLY VOLATILE COMMODITIES.

(2) CONSUMER COUNTRIES SHOULD EMPHASIZE THE EFFECT WHICH THE OIL PRICE INCREASES HAVE HAD ON INFLATION THROUGHOUT THE WORLD AS WELL AS THE CONTINUING EFFECTS OF THE HIGH OIL PRICES.

(3) CONSUMER COUNTRIES WILL NEED TO ACKNOWLEDGE THAT BAD POLICIES HAVE HAD A ROLE IN THE CURRENT INFLATION BUT SHOULD STRESS THE OTHER FACTORS WHICH HAVE EXACERBATED THIS INFLATION AND SHOULD DESCRIBE THE ACTIONS BEING TAKEN TO REDUCE THE RATE OF INFLATION AND KEEP IT UNDER CONTROL.

11. ROMAN THREE. A. ASSISTANCE OF THE INDUSTRIALIZED COUNTRIES IN THE ECONOMIC, SOCIAL, INDUSTRIAL AND AGRICULTURAL DEVELOPMENT OF THE OIL PRODUCER COUNTRIES THROUGH. . .

THE ISSUE: THE POSITION OF THE OPEC COUNTRIES ON THIS ITEM IS NOT KNOWN, BUT THEY MAY SEEK FROM THE INDUSTRIALIZED COUNTRIES PLEDGES OF ASSISTANCE IN DEVELOPING

THEIR ECONOMIES. THE TYPES OF ASSISTANCE MAY RANGE FROM TRANSFERS OF TECHNOLOGY, ENGINEERING AND MANAGERIAL SKILLS TO FINANCIAL PARTICIPATION AND ASSURANCES OF PREFERENTIAL ACCESS TO INDUSTRIALIZED COUNTRY MARKETS FOR THE OUTPUT OF THEIR PROPOSED NEW INDUSTRIES.

LINE TO TAKE:

(1) THE INDUSTRIALIZED COUNTRIES MAINTAIN A CONTINUING INTEREST IN THE DEVELOPMENT OF THE OPEC COUNTRIES AND AN UNDERSTANDING OF THEIR DESIRE TO ESTABLISH AN ECONOMIC STRUCTURE WHICH WILL MEET THEIR DOMESTIC NEEDS AFTER THEIR OIL RESOURCES ARE EXHAUSTED.

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(2) THE INDUSTRIALIZED COUNTRIES BELIEVE IT IS IMPORTANT THAT SUCH DEVELOPMENT OCCUR IN AN ECONOMICALLY EFFICIENT MANNER SO THAT THE PRODUCTIVE CAPACITY WHICH IS PUT IN



PLACE WILL REMAIN VIABLE AND INTERNATIONALLY COMPETITIVE.  
RESTRICTION OF DOMESTIC MARKETS OR DEPENDENCE ON  
PREFERENTIAL ACCESS TO FOREIGN MARKETS WILL NOT PROMOTE  
THE DESIRED GOALS.

(3) WE ARE RECEPTIVE TO REQUESTS FROM THE OPEC COUNTRIES  
FOR TECHNICAL ASSISTANCE, TRAINING, AND MANAGERIAL  
SKILLS. THE FINANCIAL CAPACITY OF THE OPEC COUNTRIES  
LIMITS BOTH THE NEED AND THE PROSPECTS FOR ANY SUB-  
STANTIAL FINANCIAL PARTICIPATION FROM CONSUMING  
COUNTRIES.

B. DEVELOPING COUNTRIES. . .

THE ISSUE: THE OPEC COUNTRIES HAVE INDICATED THEY WANT  
TO DISCUSS THIS TOPIC IN THE PRODUCER-CONSUMER CON-  
FERENCE. WE BELIEVE ONLY A FEW OF THE COUNTRIES, LED  
BY ALGERIA, WISH TO PURSUE THE SUBJECT WITH ANY VIGOR,  
AND IT IS NOT CLEAR WHAT SPECIFIC REQUESTS THEY, IN FACT,  
WILL WANT TO TABLE. WE CAN ANTICIPATE GENERAL ASSER-  
TIONS FROM THEM ON THE IMPORTANCE OF GREATER AID EFFORTS  
BY OECD DONORS INCLUDING, PERHAPS, THE NEED FOR AN SDR-  
AID LINK. NO CONSENSUS ON EITHER PROPOSITION IS LIKELY  
TO EMERGE.

LINE TO TAKE: THE CONSUMING COUNTRIES MIGHT WISH TO  
FOCUS THE DISCUSSION ON WAYS OF ENHANCING THE EFFECTIVE-  
NESS OF AID EFFORTS, THROUGH GREATER COORDINATION  
BETWEEN THE AID PROGRAMS OF OIL PRODUCING DONORS AND  
THOSE OF THE OECD DONOR COUNTRIES AND THROUGH MORE  
EFFECTIVE UTILIZATION OF THE EXISTING INSTITUTIONAL  
FRAMEWORK. THE NEED FOR GREATER EMPHASIS ON CON-

CESSIONARY AID BY OPEC DONORS SHOULD BE UNDERScoreD; IN  
PARTICULAR, THE NEED TO SHARE IN THE RISKS OF PROVIDING  
ASSISTANCE THROUGH MULTILATERAL INSTITUTIONS BY PRO-  
VIDING GRANTS TO SOFT LOAN WINDOWS RATHER THAN RELYING  
ON DEVELOPED COUNTRY GUARANTEES OF BONDS OR LOANS. THE  
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FII WILL WANT TO STUDY THE QUESTION OF COORDINATION  
BEFORE ANY PROPOSALS ARE MADE FOR ESTABLISHMENT OF NEW  
OR BROADER MECHANISMS.

END TEXT.

12. SUGGESTED LANGUAGE FOR PART ROMAN FOUR BY SEPTTEL.  
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